

STORAGE NAME: h0727.cu

DATE: February 10, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COLLEGES & UNIVERSITIES
ANALYSIS**

BILL #: HB 727

RELATING TO: The Industrial Partnership Professorship Program

SPONSOR(S): Representative Rob Wallace

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COLLEGES & UNIVERSITIES
 - (2) FINANCE & TAXATION
 - (3) EDUCATION APPROPRIATIONS
-

I. SUMMARY:

This bill establishes the Industrial Partnership Professorship Program within the State University System and permits the Board of Regents to establish no more than 20 industrial partnership professorships in any discipline for the purpose of allowing instructional or research personnel whose formal training and experience differ from the formal training and experience required of traditional university faculty or instructional personnel to teach and/or conduct research in a university setting. This bill also stipulates that the industrial partnership professorships can be established at any state university through a contract between the university and a corporation or corporations agreeing to sponsor the professorship. The duration of a contract for an industrial partnership professorship must be at least one year and the contract may be renewed for additional periods. The bill also prohibits the State University System from expending more than \$500,000 per year for the Industrial Partnership Professorship Program.

The bill also provides the corporation or corporations sponsoring the professorship with an annual credit against the corporate income tax. This tax credit is equal to 50% of the amount a corporation contributes to the establishment and maintenance of the industrial partnership professorship.

This bill also provides that an amount equal to the amount of a credit that is not fully used in the first year for which it becomes available can be carried forward for a period not to exceed 5 years. The bill places the industrial partnership professorship tax credit at the end of the specific order in which credits against the corporate income tax or the franchise tax can be applied.

This bill may have a negative fiscal impact on state revenues. The amount of state revenues generated as a result of the corporate income tax may experience a reduction as a result of an annual corporate income tax credit the bill creates for the corporation or corporations sponsoring an industrial partnership professorship. Additionally, the State University System is permitted to expend funds that do not exceed \$500,000 per year for the Industrial Partnership Professorship Program.

This bill repeals the statutory provisions establishing the Industrial Partnership Professorship Program and the corporate income tax credit associated with the program on July 1, 2010.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

B. PRESENT SITUATION:

SUS FACULTY CLASSIFICATIONS

Regular personnel in the State University System are categorized into the following three pay plans: Faculty Employees, Administrative and Professional Employees, and University Support Personnel System Employees. The faculty pay plan includes positions assigned the primary responsibility of teaching, conducting research, performing public service activities, or performing administrative functions directly related to an institution's academic mission. Most faculty are classified as Professors, Associate Professors, Assistant Professors, Instructors, and Lecturers. Additional faculty classifications include Graduate Research Professors and Eminent Scholars.

Professors, Associate Professors, and Assistant Professors are required to possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization and possess a demonstrated record of achievement in the areas of teaching, academic research, and public service. These faculty members are usually required to publish professional writings, academic research, or creative work in refereed and professional journals. Furthermore, they must be recognized authorities in their field of specialization. A university president may confer the title of "Distinguished Professor" upon a faculty member in recognition of truly outstanding accomplishments in his or her field of specialization.

Instructors and Lecturers are primarily responsible for teaching, performing public service, and performing related activities. Their secondary responsibilities may include conducting research and providing academic advisement to students. These faculty members tend to be required to possess a master degree from an accredited institution in an appropriate field of specialization or possess equivalent qualifications based on professional experience.

Graduate Research Professors are primarily responsible for conducting research and performing related activities. Their secondary responsibilities may include teaching, performing public service, and providing academic advisement to students. Usually, these faculty members possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization and possess a demonstrated record of achievement in the areas of teaching, academic research, and public service. These faculty members are usually required to publish professional writings, academic research, or significant creative work in refereed and professional journals. Furthermore, they must be recognized as national or international authorities in their field of specialization.

Eminent Scholars occupy an endowed chair established within a university and are primarily responsible for teaching, conducting research, performing public service, and performing related activities. Their secondary responsibility may include providing academic advisement to students. Typically, these faculty members possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization and possess a demonstrated record of achievement in the areas of teaching, academic research, and public service. Furthermore, they must be recognized as foremost scholars in their field of specialization and serve at the discretion of the university president.

PERSONNEL EXCHANGE PROGRAM

Section 240.227(11), Florida Statutes, directs each state university president to develop rules that are necessary for the establishment and maintenance of a personnel exchange program. Individuals that are employed by a university as instructional and research faculty and as comparable administrative and professional staff may be exchanged with individuals employed in similar capacities by institutions of higher learning which are not under the jurisdiction of a university. These institutions of higher learning not under the jurisdiction of a university can include units of government or private industries. The salaries and benefits of State University System personnel and State of Florida personnel participating in the exchange program must be continued during the period of time they participate in the exchange program, while the salaries and benefits of individuals participating in the personnel exchange program who are employed by institutions of higher learning which are not under the jurisdiction of a university must be paid by the originating employers of those participants. The duties and responsibilities of a person participating in the exchange program must be the same as those of the person he or she replaces.

PRACTITIONERS IN THE CLASSROOM

In their article, *Bringing Corporate Know-How to Class*, Michael G. Kovac and Norman R. Augustine suggest that the direct interaction between experienced industry practitioners and students can enhance the cultural transfer of industrial ideas and attitudes into the classroom. Students can have the opportunity to learn first-hand about project management and relationships between design, manufacturing, and sales. Additionally, students can become familiar with typical work assignments and corporate work ethics, and learn the importance of group interaction when creating successful design teams.

According to Kovac and Augustine, an industrial professor might be involved in technology development activities such as facilitating the commercialization of technologies and patents derived from university research; writing proposals with other faculty for technology-related research when the proposal is submitted in collaboration with private industry; organizing seminars in which industries present their technology and research needs to faculty, students, and research staff; facilitating the interaction of faculty with private industry; facilitating the diffusion of research results and technology from federal laboratories to private industry; and expediting the migration of new technology into the marketplace.

CORPORATE INCOME TAX CREDITS

Section 220.02(1), Florida Statutes, expresses that it is the intent of the Legislature to "impose a tax upon all corporations, organizations, associations, and other artificial entities which derive from this state or from any other jurisdiction permanent and inherent attributes not inherent in or available to natural persons, such as perpetual life, transferable ownership represented by shares or certificates, and limited liability for all owners. It is the intent of the Legislature to subject such corporations and other entities to taxation hereunder for the

privilege of conducting business, deriving income, or existing within this state.” However, chapter 220, Florida Statutes, does provide certain tax credits against the corporate income tax. Most of these tax credits are limited to a percentage of the annual costs a corporation incurs, are capped at an annual rate, and can be carried forward for a certain period of time. Furthermore, the Legislature usually grants rulemaking authority to the Department of Revenue in order to administer the tax credits.

C. EFFECT OF PROPOSED CHANGES:

In order to respond to the issue that there are practical components of several disciplines which can be delivered to students in the most effective manner by individuals possessing significant practical expertise in a specific field, this bill establishes the Industrial Partnership Professorship Program within the State University System and permits the Board of Regents to establish no more than 20 industrial partnership professorships. These professorships can be established in any discipline for the purpose of allowing instructional or research personnel whose formal training and experience differ from the formal training and experience required of traditional university faculty or instructional personnel to teach and/or conduct research in a university setting. This bill also stipulates that the industrial partnership professorships can be established at any state university through a contract between the university and a corporation or corporations agreeing to sponsor the professorship. Additionally, the bill prohibits the State University System from expending more than \$500,000 per year for the Industrial Partnership Professorship Program. Lastly, the bill provides the corporation or corporations sponsoring the professorship with an annual credit against the corporate income tax.

Permitting personnel from selected industries to teach and conduct research in a university setting can provide students with instruction and knowledge from personnel who have a strong industrial background, expertise in the transfer of technology, management experience, a good undergraduate and graduate academic record, and demonstrated teaching ability. Furthermore, permitting a corporation or corporations to sponsor an industrial partnership professorship at a state university could strengthen the relationship between the private sector and the state’s public universities as well as expose traditional faculty to the needs of private industry and the changes needed in various curriculums in order to better prepare students for the work force.

INDUSTRIAL PARTNERSHIP PROFESSORSHIP TAX CREDIT

HB 727 provides a corporation sponsoring an industrial partnership professorship with an annual credit against the corporate income tax. This tax credit is equal to 50% of the annual amount a corporation contributes to the establishment and maintenance of an industrial partnership professorship. This tax credit appears to be similar to other corporate income tax credits authorized in chapter 220, Florida Statutes. The tax credit that HB 727 provides is based on a percentage of the costs a corporation incurs as a result of establishing and maintaining an industrial partnership professorship. Similarly, other authorized tax credits are also limited to a percentage of the annual costs a corporation incurs. For instance, section 220.19(1)(a), Florida Statutes, limits a child care tax credit to 50% of the start-up costs of child care facilities operated by a corporation for its employees.

The industrial partnership professorship tax credit does differ from other authorized tax credits in that the total credit is not capped annually. For instance, section 220.19(2)(c), Florida Statutes, limits the total amount of the child care tax credit to \$2 million annually. HB 727 does not contain a similar provision.

D. SECTION-BY-SECTION ANALYSIS:

SECTION 1: Creates section 240.6065, Florida Statutes--provides for the establishment of the Industrial Partnership Professorship Program within the State University System; permits the Board of Regents to establish no more than 20 industrial partnership professorships; provides that these professorships may be established in any discipline for the purpose of allowing instructional or research personnel whose formal training and experience differ from the formal training and experience required of traditional university faculty or instructional personnel to teach and/or conduct research in a university setting; provides that the industrial partnership professorships can be established at any state university through a contract between the university and a corporation or corporations agreeing to sponsor the professorship; provides that the duration of a contract for an industrial partnership professorship must be at least one year and the contract may be renewed for additional periods; prohibits the State University System from expending more than \$500,000 per year for the Industrial Partnership Professorship Program; and provides the corporation or corporations sponsoring the professorship with an annual credit against the corporate income tax.

SECTION 2: Creates section 220.192, Florida Statutes--provides any private corporation sponsoring an industrial partnership professorship with a credit against the tax imposed by chapter 220, Florida Statutes, that is equal to 50% of the annual amount a corporation contributes to the establishment and maintenance of an industrial partnership professorship; provides that the amount equal to the amount of a credit that is not fully used in the first year for which it becomes available can be carried forward for a period not to exceed 5 years; and permits the Department of Revenue to adopt rules in order to administer the tax credit.

SECTION 3: Amends section 220.02(10), Florida Statutes--places the industrial partnership professorship tax credit at the end of the specific order in which credits against the corporate income tax or the franchise tax can be applied.

SECTION 4: Establishes that the sections created by this act shall be repealed on July 1, 2010.

SECTION 5: Establishes an effective date of July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The amount of recurring state revenues generated may decrease as a result of an annual credit against the corporate income tax that the bill provides to the corporation or corporations sponsoring the industrial partnership professorship. This tax credit is equal to 50% of the amount a corporation contributes to the establishment and maintenance of the industrial partnership professorship.

2. Expenditures:

The State University System is permitted to expend funds that do not exceed \$500,000 per year for the Industrial Partnership Professorship Program.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill does not appear to have a fiscal impact on local revenues.

2. Expenditures:

This bill does not appear to have a fiscal impact on local expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill provides the corporation sponsoring the industrial partnership professorship with an annual credit against the corporate income tax that is equal to 50% of the amount a corporation contributes to the establishment and maintenance of the industrial partnership professorship.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action which requires the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties and municipalities have to raise revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties and municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

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B. RULE-MAKING AUTHORITY:

This bill permits the Department of Revenue to adopt rules in order to administer the industrial partnership professorship tax credit.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON COLLEGES & UNIVERSITIES:

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